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January 25, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

MOTION TO SUPPORT A KOREA-UNITED STATES FREE TRADE AGREEMENT (ITEM NO. 3, AGENDA OF JANUARY 29, 2008)

Item No. 3 on the January 29, 2008 Agenda is a motion by Supervisors Antonovich and Burke to send a five-signature letter to the County's Congressional delegation and Senators Feinstein and Boxer, informing them of the Board's support for a Korea-United States Free Trade Agreement (KORUS FTA) and its economic benefits to Los Angeles County, and encouraging them to work with their colleagues in Congress to reach a consensus that will lead to the ratification of a KORUS FTA.

On April 1, 2007, the Republic of Korea and United States government reached agreement on a free trade agreement (KORUS FTA), which was signed on June 30, 2007. Before it can take effect, the Congress and Korean National Assembly both must enact legislation to ratify it. Korea is the world's tenth largest economy and our nation's seventh largest trading partner.

KORUS FTA Provisions

The KORUS FTA includes the following provisions:

- **Agriculture:** It immediately eliminates current Korean tariffs on a number of agricultural products, including wheat, cotton, almonds, pistachios, wine, raisins, orange juices, and cherries, and phase out a number of other tariffs, including tariffs on apples,

pears, avocados, lemons, baked goods, and chocolate, over time. However, it allows Korea to maintain its quota on rice imports and does not require Korea to end its current ban on beef imports from the United States.

- **Automobiles:** It eliminates or reduces a number of the current barriers to United States auto exports to Korea, including the elimination of its 8 percent tariff on auto imports.
- **Consumer and Industrial Goods:** It makes an estimated 95 percent of all United States-Korean trade in consumer and industrial products duty-free within three years and eliminates virtually all remaining tariffs within ten years.
- **Labor and Environmental Standards:** It includes language, which is consistent with the "New Trade Policy for America" – a policy statement released by the Bush Administration and bipartisan Congressional leaders in May 2007 which requires all United States FTA partners to enforce five basic international labor standards and adhere to seven major multilateral environmental agreements under the FTA.

Los Angeles County Economic Development Corporation Report

According to a 2007 Los Angeles County Economic Development Corporation report, entitled, "International Trade Trend & Impacts: The Southern California Region," South Korea was the Los Angeles Custom District's third largest trading partner in 2006, accounting for a combined total of \$20.7 billion in two-way trade. It also indicated that the recently concluded free trade agreement "will likely add a further boost to U.S.-Korean trade."

Proponents and Opponents

The business community at large, including the National Association of Manufacturers and Business Roundtable, have voiced strong support for the KORUS FTA. As indicated in the motion, the Los Angeles Area Chamber of Commerce and many Korean American organizations also support the KORUS FTA. The proponents believe the agreement would increase the export of American goods to South Korea by eliminating trade barriers.

Congressional Democratic leaders, including House Speaker Pelosi, House Ways and Means Committee Chair Rangel (D-NY), and Senate Finance Committee Chair Baucus, have indicated that they oppose the KORUS FTA in its current form. Organized labor is concerned that it lacks enforceable protections for workers' rights; the automobile industry is concerned that it does not go far enough in improving access for United States made cars to the Korean market; and beef and rice producers are concerned that it does not open up the Korean market to beef and rice imports.

Status of Legislation

Neither the Congress nor the Korean National Assembly have approved legislation to implement and ratify the agreement. The White House has not yet submitted implementing language for the KORUS FTA to Congress, in part, due to the opposition of Congressional Democrat leadership to the agreement in its current form. The House Ways and Means Committee and Senate Finance Committee, which have jurisdiction over trade, also have not held any hearings on it. Other FTAs with Columbia and Panama also are pending ratification. Congress can make changes to the draft implementing legislation to address their concerns, but the changes would not be binding on the Administration, and South Korea also would have to agree to any changes to the KORUS FTA.

There are not any existing Board policies relating to the KORUS FTA. Therefore, **a position on Proposition 91 is a matter for Board policy determination.**

WTF:GK
MAL:MT:lm

c: Executive Officer, Board of Supervisors
County Counsel